

United States Senate

WASHINGTON, DC 20510

February 6, 2001

President George W. Bush
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President,

We are writing to express our concern about recent press reports which suggest that you oppose legislation that would “lock away” the Medicare trust fund surplus. We believe that a bipartisan consensus exists for a mechanism that protects the Medicare surplus from being raided for either new spending or tax cuts, just as we now protect Social Security. Both programs face a demographic crisis as the baby boomers get older. Medicare’s financial condition is actually more serious than that of Social Security; the Medicare trust fund is projected to become insolvent in 2025, whereas the Social Security Trust fund will remain solvent until 2037.

During the confirmation hearings for Office of Management and Budget Director Mitch Daniels, the nominee stated, “I would be very hesitant to see us treat [Medicare] funds the same way we do Social Security.” At a January 30 press briefing, your press spokesman, Ari Fleischer, stated that we ought to spend the Medicare surplus now rather than “use Medicare money to pay off bonds.” Even more troubling was the suggestion that your administration was contemplating a raid on Social Security. When *Business Week* raised the possibility of dipping into the Social Security surplus to pay for government programs and the tax cut, your chief economic advisor, Larry Lindsey, responded, “It’s a question that needs to be asked.”

Mr. President, we believe this question has been asked and answered by bipartisan majorities in both the House and the Senate. Last June, 420 members of the House and 98 members of the Senate voted to lock up Medicare surpluses to make sure they were not raided for new spending or tax cuts. If Republican and Democratic majorities in the House and Senate believe that they need the discipline of a Medicare lockbox to prevent a raid on the trust fund surplus, it’s not clear why you would oppose this plan.

We absolutely believe that we should reach agreement this year on a universal Medicare prescription drug benefit. However, we are convinced that this new benefit should not be financed with trust fund reserves. Spending the surplus now would mean that the trust fund would run out of money even sooner than 2025. We have worked diligently to extend the solvency of the Medicare trust fund. When President Clinton took office the program was projected to become insolvent in 1999. Legislation enacted since then has extended the life of the trust fund by a total of 26 years – the longest Medicare trust fund solvency in a quarter century.

President George W. Bush
Page 2

We urge you to reconsider your position on this issue and take a pledge to safeguard both the Social Security and Medicare surpluses with “lockbox” protections. We believe that these protections are necessary in order to preserve, protect, and strengthen these programs for future generations.

Sincerely,

Senator Kent Conrad

Senator Tom Daschle